

## REGIONAL POLITICS

## IRAN AND THE SOUTHERN CAUCASUS: A STRUGGLE FOR INFLUENCE

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### *Introduction*

It is a well-known fact that for many centuries the Southern Caucasus was of strategic importance for the great powers that dominated at different historical times. The Roman Army's advances on the Caucasus under the command of General Pompey (66-65 BC) and General Mark Antony (36 BC) mark the beginning of the great powers' struggle and provide ample evidence of the attempts to secure their interests in this strategic part of the world. And in 75 AD, Roman Emperor Domitian sent Legio XII Fulminata to support the allied kingdoms of Iberia and Albania (the present-day republics of Georgia and

Azerbaijan, respectively). A rock inscription was found near the shores of the Caspian Sea (Gobustan, 60-70 km from Baku in the Azerbaijan Republic) that mentions the presence of one of the centurions of XII Fulminata named Lucius Julius Maximus.<sup>1</sup>

<sup>1</sup> See: Legio XII Fulminata: one of the Roman legions. Its name means "the lightning legion" (see [[http://www.livius.org/le-lh/legio/xii\\_fulminata.html](http://www.livius.org/le-lh/legio/xii_fulminata.html)]); *History of Azerbaijan*, Embassy of the Republic of Azerbaijan to the United Kingdom of Great Britain and Northern Ireland, available at [<http://www.azembassy.org.uk/sehife.php?lang=eng&page=0105>].

## The Region's Strategic Dimensions

For centuries, great powers like the Roman and Persian Empires,<sup>2</sup> the Caliphate, the Persian and Byzantium Empires,<sup>3</sup> and the Ottoman, Persian and Russian Empires<sup>4</sup> struggled to control the Southern Caucasus. Since the time of the Great Silk Road, the Southern Caucasus has undoubtedly played an important role and is the shortest land route from China to Europe. The region is also a land bridge between the Black Sea and the Caspian Sea and a gateway to the Middle East and Central Asia. In this light, the Southern Caucasus has strategic geographical and transportation dimensions.

In the era of industrialization and the world's economic dependence on oil and gas, the Southern Caucasus has gained an additional strategic dimension—the energy dimension—specifically in terms of Azerbaijan's huge hydrocarbon reserves and production. At the beginning of the 20th century, Azerbaijan produced more than half of the world's oil production and 95% of Russian oil (11 million tonnes/per year).<sup>5</sup> And nowadays, the Southern Caucasus is a neighboring region of the oil-rich Persian Gulf and of multi-dimensional strategic importance for the global and regional powers. The region's strategic significance has been brilliantly described by Dr. Zbigniew Brzezinski (former national security adviser to U.S. President Jimmy Carter) in his well-known book *The Grand Chessboard*.<sup>6</sup>

## The Key Players of South Caucasian Policy

The Southern Caucasus' present-day policy is characterized by a high level of complexity and dynamic rivalry among the global, regional, and local players. The United States, the Islamic world, Russia, and the European countries are the global players, the regional actors include Turkey and Iran, while the independent South Caucasian countries, such as Azerbaijan, Georgia, and Armenia, constitute the local players. Moreover, several powerful international organizations, such as the OSCE, CIS, EU, NATO, OIC, and others, plus religious and humanitarian organizations, are operating and shaping policy in this part of the world. Meanwhile, the large family of influential multinational oil corporations and companies, such as BP (UK), Amoco (U.S.), UNOCAL (U.S.), McDermott International (U.S.), and others, have their own stakes in the Caucasus' tangled web of oil and politics.

So, in the 21st century, the Southern Caucasus, just as the entire Greater Caucasus region, continues to be a complex and unassimilated area for the Russians and of strategic importance for global policy, international security, and energy security.

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<sup>2</sup> See: L.C. Stecchini, *History of Iran. The Persian Wars*, Iran Chamber Society, available at [[http://www.iranchamber.com/history/articles/persian\\_wars3.php](http://www.iranchamber.com/history/articles/persian_wars3.php)].

<sup>3</sup> See: Ch. van der Leeuw, *Azerbaijan: A Quest for Identity: A Short History*, Palgrave Macmillan, July 2000, p. 48, available at [<http://us.macmillan.com/azerbaijan-1>].

<sup>4</sup> See: *Azerbaijan: Seven Years of Conflict in Nagorno-Karabakh*, Human Rights Watch/Helsinki (Organization: U.S.), 1994, p. xiii, available at [<http://www.paperbackswap.com/Azerbaijan-Seven-Years-Conflict-Nagorno/book/1564321428/>]; T. Marshall, "Caspian Sea: Oil in a Tinderbox," *Kansas City Star*, 8 March, 1998, p. K-6.

<sup>5</sup> See: Mir Yusif Mir-Babayev, "Baku Barons Day, Foreign Investments in Azerbaijan's Oil," *Azerbaijan International*, Summer 2004, pp. 82-85, available at [[http://azer.com/aiweb/categories/magazine/ai122\\_folder/122\\_articles/122\\_foreign\\_investment.html](http://azer.com/aiweb/categories/magazine/ai122_folder/122_articles/122_foreign_investment.html)].

<sup>6</sup> See: Zb. Brzezinski, *The Grand Chessboard. American Primacy and Its Geostrategic Imperatives*, Basic Books: New York, 1997.

Iran, as mentioned above, is one of the key players in the Southern Caucasus. And, just as it has been throughout history, Iran (Persia) is still one of the powers competing for its interests and goals in this region. So present-day Iran has extensive and deep historical experience for playing its own strategic game in this part of the world.

## The Main Sources of Iran's Foreign Policy

It must be emphasized that throughout history, Iran (Persia) has been able to conduct a smart, precise, balanced, and pragmatic foreign policy. This successful approach has ensured Iran its continued existence on the world map and has made it one of the powerful nations today. Moreover, Iran is able to pursue an effective foreign and security policy that reflects the strategic environments of different historical periods. The many centuries of Persia's foreign policy experience and its ability to implement a smart policy testify to the fact that Iran has fundamental sources which shape the nation's foreign policy. With respect to the present-day Islamic Republic of Iran, scholars from the RAND Corporation (a California-based research organization) emphasize that Iran has certain characteristics that are the driving force behind the nation's foreign and security policy.<sup>7</sup>

The authors state that, since the Islamic Republic's establishment, two factors, revolutionary Islam and Persian nationalism, continue to be strong sources of the nation's foreign policy. However, they argue that the revolutionary or ideological element has been declining in the 20 years since the Islamic revolution. This decline has occurred due to the unsuccessful attempts to export or spread its revolutionary ideas to other parts of the Islamic world, particularly to Central Asia and Southern Caucasus. On the other hand, according to RAND, it was its revolutionary ideas that brought Iran into confrontation with the superpowers and caused the country's isolation. So, as many scholars agree, the revolutionary ideas have declined and pragmatic, economic, and geopolitical factors have come to the fore as the driving forces behind the country's foreign policy.

RAND's experts consider ethnicity and communalism to be the next sources of Iran's foreign policy. They emphasize that the close ties of some ethnic minorities (Azeris, Kurds) with neighboring states and ethnic communities across the Iranian border are key sources of the nation's foreign policy. And we agree with this implication. The Azeris are the main ethnic minority in Iran. The current ethnic composition is as follows: Persians make up 51% of the country's population, Azeris 24%, Gilaki and Mazandarani 8%, Kurds 7%, Arabs 3%, Lurs 2%, Balochs 2%, Turkmen 2%, and others 1%.<sup>8</sup> Some ethnic groups are concentrated mainly in the border areas and have ties with ethnic groups or states across the Iranian border, such as the Kurds and Azeris, respectively. The Azeris have close ties with the South Caucasian independent Azerbaijan Republic and the Kurds have contacts with the Kurdish communities in Iraq and Turkey. Moreover, Iran's Azeris have experience in establishing their own independent state (the South Azerbaijan Democratic Republic) that emerged in 1945-1946 with the support of the Soviets.<sup>9</sup> Finally, the Azeri minority's experience in building their own independ-

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<sup>7</sup> See: *Iran's Security Policy in the Post-Revolutionary Era*, Chapter Two, "Fundamental Sources of Iranian Foreign and Security Policies," RAND Corporation, Santa Monica, 2001, available at [[http://www.rand.org/pubs/monograph\\_reports/MR1320/MR1320.ch2.pdf](http://www.rand.org/pubs/monograph_reports/MR1320/MR1320.ch2.pdf)].

<sup>8</sup> See: CIA, *The World Factbook*, available at [<https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html>].

<sup>9</sup> See: A. Priego, "The Southern Azerbaijan Question and Its Implications for Iranian National Identity," *Azerbaijan in the World*, Azerbaijan Diplomatic Academy, Vol. II, No. 7, 1 April, 2009, available at [<http://ada.edu.az/biweekly/issues/vol2no7/20090406025632009.html>].

ent state, as well as the existence of the independent Azerbaijan Republic and Tajikistan (a Persian-speaking Central Asian state) have key policy-making implications for Iran's foreign and security policy toward the Southern Caucasus and Central Asia.

The next fundamental source of Iran's foreign policy is the economy. Since the Islamic Revolution of 1979, Iran has been facing significant problems with respect to modernizing its national economy and army. And now both issues are of high priority on Tehran's agenda. Iran needs foreign investments, both to diversify the national economy and to ensure access to new technologies. However, Iran's isolation in global affairs, as a result of U.S.-Iranian tension, is making it very difficult for Tehran's government to launch the nation's economic, military and technological modernization.

Meanwhile, it must be emphasized that the relations between Iran and the United States are dominating Iran's foreign policy and driving or fueling the nation's behavior at the global and regional levels. Moreover, a key strategic issue for Iran's foreign policy is to solve the problems with the West (the United States). So, from our viewpoint, Iran is conducting its foreign policy from the prism of its relations with the United States, and Tehran's government is applying this same approach toward the Southern Caucasus.

## Iranian-Russian Relations and Iran's Policy Toward the Region

The Southern Caucasus is an oil- and gas-rich region with a strategic location that creates brilliant prospects for the local nations to become rich and prosperous. However, the Caucasus belongs to "the areas of the greatest insecurity in today's world, which lie along an arc from the Balkans through the Middle East to Central Asia."<sup>10</sup> Unfortunately, the Southern Caucasus is the arena of a grueling struggle between the global and regional powers for geopolitical influence and for control over Caspian energy resources, as well as over the energy transportation routes. And Iran is engaged in this rivalry.

It is well known that, during the past three centuries, the main threat to Iran's security and territorial integrity has come from the North—from imperial Russia and later from the Soviet Union. Fortunately, the local states of the Southern Caucasus—Azerbaijan, Georgia, and Armenia—emerged as independent countries after the disintegration of the U.S.S.R. And now these states form a "buffer zone" between Iran and Russia.<sup>11</sup> Iran clearly understands that the existence of such a buffer zone is vital for the nation's security because of Russia's strong imperialistic ambitions and Moscow's nostalgia for the glorious days of the Red Empire. So Iran strongly supports the independence of all three states. On the other hand, the existence of the South Caucasian countries creates new opportunities and challenges for Iran's foreign and security policy.

We think that Tehran's strategy toward the Southern Caucasus originates from Iran's specific position in global affairs, especially from the nation's confrontational relations with the West (U.S.). Iran's relations with the U.S., as the backbone of Tehran's strategic foreign and security policy, are the driving force behind Tehran's behavior at the global and regional levels, including in the Southern

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<sup>10</sup> Ph. Stephens, "A Political Awakening That Recasts the Global Landscape," *The Financial Express*, 21 July, 2007, available at [<http://www.thefinancialexpress-bd.com>].

<sup>11</sup> See: A. Ramezanzadeh, "Iran's Role as Mediator in the Nagorno-Karabakh Crisis," in: *Contested Borders in the Caucasus*, ed. by B. Coppieters, Brussels, 1998, available at [<http://poli.vub.ac.be/publi/ContBorders/eng/ch0701.htm>].

Caucasus. Moreover, some scholars believe that the U.S.-Iranian confrontation is continuing to a significant degree in the Southern Caucasus as well.<sup>12</sup>

It is a well-known fact that Iran is trying to contain and minimize Western pressure. So, in accordance with this strategy, Tehran is actively cooperating with Russia. The collapse of the Soviet Empire notwithstanding, present-day Russia continues to consider itself a global competitor of the U.S.<sup>13</sup> Russia is a Permanent Member of the United Nations Security Council. Tehran takes this into consideration and regards Moscow as a key supporter. The cooperation between Iran and Russia is highly saturated and covers a wide agenda: science, technology, military, nuclear, and other issues, with a multibillion dollar turnover.

Meanwhile, strategic cooperation with Iran is beneficial for Russia as well. Iran is a huge market for Russia's military weapons and nuclear technology exports. Since 2005, Russia has had an observer status in the Organization of the Islamic Conference. The Islamic Republic of Iran's influence in the Islamic world is an effective tool for creating and supporting Russia's friendly image in the Muslim states. Moreover, by cooperating with Iran and the OIC, Russia is trying to minimize Islamic pressure in Russia itself, as well as in the Caucasus and Central Asia. On the other hand, as a global competitor of the U.S., Russia is trying (in accordance with the old Soviet strategy) to challenge America's global position, particularly in the Islamic world.

Russia is very sensitive about the "advance" of the U.S. and NATO into the Kremlin's Near Abroad, particularly into the Southern Caucasus and Central Asia. Russia is trying to weaken the West's influence and presence in this part of the world, as well as to secure the Caspian energy resources and energy transportation routes under Moscow's control.

It should be emphasized that Iran has similar strategic goals in the Southern Caucasus. So, Iran's South Caucasian strategy is oriented toward supporting Russia's dominance in this part of the world. It is beneficial for Tehran to be under Russia's umbrella or shadow in this region.<sup>14</sup> Both Russia and Iran are strengthening their positions in the struggle for influence with the United States, which has declared that the Caspian basin is strategically vital to America's national interests.<sup>15</sup> Moreover, the European Union is gradually strengthening its position as well. In other words, the West is actively implementing a set of strategic programs, such as the Silk Road Strategy, Partnership for Peace, Eastern Partnership, and others, which are oriented toward projecting Western influence onto the Southern Caucasus and Central Asia. These programs are vital for increasing the West's presence and redesigning the post-Soviet local order, as well as minimizing Russian influence and control. Therefore, Russia must react to and counter the challenges that might weaken Russia's traditional dominance in the Caucasus and Central Asia. Finally, Russia needs to have a strategic partner, and Iran is very valuable.

It should be noted that Iran's hostility toward the United States and Israel is pushing Tehran closer to Moscow. Moreover, Russia is trying to prolong Iran's problems with the United States for as long as possible. In so doing, Russia is drawing Washington's strategic attention away from Russia itself and Russia's Near Abroad and creating a significant "headache" for Washington's decision-

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<sup>12</sup> See: S. Markedonov, "The Caucasus Approaches of Iran: Main Priorities and Challenges," Research Institute for European and American Studies (RIES), 1 June, 2009, available at [www.rieas.gr].

<sup>13</sup> See: S. Kapila, "Russia: The Inevitability of a New Cold War with the United States," *South Asia Analysis Group*, 26 August, 2008, available at [http://www.southasiaanalysis.org/%5Cpapers29%5Cpaper2822.html].

<sup>14</sup> See: M. Javedanfar, "Iran Foreign Policy Analysis—Iran's Alliance with Russia," 4 May, 2005, available at [http://www.meepas.com/russiairanfpanalysis.htm].

<sup>15</sup> See: F.W. Engdahl, "The U.S.'s Geopolitical Nightmare," *Asia Times*, 9 May, 2006, available at [http://www.atimes.com/atimes/China/HE09Ad01.html]; D. Kaliyeva, "The Geopolitical Situation in the Caspian Region," *UNISCI DISCUSSION PAPERS*, Research Unit on International Security and Cooperation, available at [http://revistas.ucm.es/cps/16962206/articulos/UNIS0404130011A.PDF].

makers. It stands to reason that if Russia considers itself a competitor of the U.S. for global dominance, Russian strategists believe that U.S.-Iranian tension, as well as America's problems in Iraq, the North Korean issues, and the Afghan war will weaken the United States' global dominance and superiority. Finally, continuation of the U.S.-Iranian hostility ensures Iran's dependence on Moscow and guarantees Tehran's billion-dollar flow to the Kremlin, which is vital for modernizing the old-style Russian economy.

From our perspective, the development of Iran's foreign policy toward the Southern Caucasus demonstrates that Tehran has abandoned ideological (Islamic or Shi'a) considerations and adopted pragmatic (supports Russia's policy) and regional (is developing bilateral relations) approaches toward the Southern Caucasus. Iran is trying to expand its political-security and economic role in the region. Some Iranian scholars believe that "regionalism" could be a beneficial approach in Iran's foreign policy. They argue that a regional approach will strengthen Iran's national interests at the regional and international levels and increase Iran's capacity to deal with the great and regional powers.<sup>16</sup> There can be no doubt that, by developing bilateral relations with the South Caucasian states, Iran could significantly increase its capabilities on the international scene.

In this light, Iran considers the Southern Caucasus to be a possible and promising platform for cooperation with the West. And this is a key strategic dimension of Iran's foreign policy toward the Southern Caucasus. Iran is trying to participate in large international projects (with Western participation) for producing and transporting Caspian energy resources. However, the United States strongly opposes any Iranian participation, just as it opposed Iran's involvement in Azerbaijan's Contract of the Century. The United States excludes any possible cooperation with Tehran due to its nuclear ambitions and carefully monitors Iran's behavior.

Nevertheless, Iran is establishing economic cooperation with the local countries and considers bilateral relations to be a valuable tool for increasing political influence and strengthening strategic positions. In this light, the cooperation between Iran and Armenia (with Russia's blessing) is an example of such a strategy. Undoubtedly, Iran-Armenian cooperation has key implications for the Southern Caucasus and is an effective approach to containing Turkey's influence, the Turkish-Azerbaijani strategic alliance,<sup>17</sup> and Azerbaijan's rising economic and military power.

Obviously an improvement in Turkish-Armenian relations will decrease the role of the Tehran-Moscow axis and weaken the axis' significance in the region. Moreover, elimination of the Turkish-Armenian hostility will dramatically decrease or undermine Russia's dominance in the Southern Caucasus. So Turkish-Armenian reconciliation is not in keeping with Russia's (first) or Iran's (second) strategic interests. And indeed, this process has already reached a deadlock.<sup>18</sup> Moreover, Iran is trying to contain Turkey as a key NATO member and close U.S. ally in the Greater Middle East region,<sup>19</sup> with respect to which Iran has its own strategic interests and political goals.<sup>20</sup>

Iran also has an extensive historical heritage for dealing with the Southern Caucasus; however, Tehran's capabilities are significantly limited. Iran, unlike Turkey, is not as attractive for the South Caucasian countries because of Tehran's tension with the U.S. This is a primary and key point. Both

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<sup>16</sup> See: K. Barzegar, "Regionalism in Iran's Foreign Policy," *Iran Review*, 8 February, 2010, available at [www.iranreview.org/content/view/5334/37/].

<sup>17</sup> See: V. Masimoglu, "Turkey-Azerbaijan Strategic Alliance Treaty and Russia-Armenia Military Agreement: Status-quo in the Southern Caucasus Remains Unchanged," *Analytics*, APA News Agency, 20 August, 2010, available at [http://en.apa.az/news.php?id=128191].

<sup>18</sup> See: A. Grigorian, "Russian Hegemony and the Nagorno-Karabakh Conflict Resolution: A Quandary or an Impasse?" *Caucasus Edition Journal*, 1 October, 2010, available at [www.caucasusedition.net].

<sup>19</sup> See: O. Örmeci, "Caspian Weekly: Turkey's Role in the Organization of Islamic Conference," JDP Government and the Greater Middle East Project, 29 May 29, 2010, Council on Foreign Relations, available at [http://www.cfr.org/publication/22373/caspian\_weekly.html].

<sup>20</sup> See: K. Barzegar, op. cit.



Azerbaijan and Georgia, unlike Armenia, consider the West (U.S.) to be a key source for securing their independence and counterbalancing Russia's predominant power. Second, the Islamic nature of Tehran's regime significantly limits political cooperation; and third, Russia is a major bone of contention. The elimination of Iranian-U.S. tension or any significant improvement in their relations does not coincide with Russia's long-term interests.

Finally, the strategic approach of Iran's foreign policy toward the Southern Caucasus is more pragmatic than ideological. It is based on ethnicity and oriented toward preventing any significant shifts that could strengthen the position of the United States, the European Union, or NATO; supporting Russian dominance; and maintaining a balance between local states.

## The Region's Political Dynamics and Iran's Strategic Priorities

Since the Soviet Union's breakup, we can identify two significant shifts in the geopolitical game of the Southern Caucasus. The first is Azerbaijan's Contract of the Century of 1995; and the second is the Russo-Georgian war that broke out in August 2008. From our viewpoint, the first shift led to the second, so the consequences of the event indicate that the Russo-Georgian war was unavoidable.

Azerbaijan's Contract of the Century opened the doors to large-scale Western penetration and investments not only in Azerbaijan's oil and gas sectors, but throughout the South Caucasian region. And investments have brought wide and active political engagement of the West in Caucasian affairs. The United States, NATO, the European Union, and Turkey have begun gradually fortifying their positions and implementing several strategic programs, such as the Silk Road Strategy, Partnership for Peace, and Eastern Partnership, as well as strengthening the Turkic identity. These programs and sets of initiatives, such as the Caspian Guard,<sup>21</sup> are oriented toward establishing pro-Western security order and ensuring Western (U.S.) interests and direct control over Caspian energy resources and energy transportation routes.

It stands to reason that Iran regards such initiatives as a direct threat to its security. Moreover, Iran was the first (possibly with Russia's approval) to try and overcome the situation and stop the West's advance into the region, where Russia and Iran are traditional players and have common strategic goals.

So Iran's reaction was very clear and aggressive, as was the case in 2001 when an Iranian warship forced a British Petroleum boat to return to port, or when Iranian military aircraft violated Azerbaijan's air borders and entered the country's air space.<sup>22</sup> Moreover, only the diplomatic intervention of Ankara and Washington prevented a full-scale war.<sup>23</sup> These events emphasize that Tehran was very angry about Azerbaijan and Georgia's pro-Western orientation, as well as about the rising influence of the United States throughout the Caspian Basin.

It must be noted that Russia at that time was engaged in dealing with the unrest in Chechnia. And it was possibly Chechen issues that prevented Moscow or the Tehran-Moscow axis from stopping, or at least slowing down, the West's advance.

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<sup>21</sup> See: P. Goncharov, "U.S. in Caspian Region and Russia's Position," RIA Novosti, 4 May, 2005, available at [<http://en.rian.ru/analysis/20050504/39817504.html?id>].

<sup>22</sup> See: G. Ismailova, "Azerbaijani Presidential Visit to Iran Again Postponed," Central Asia-Caucasus Institute, *Analyst*, available at [<http://www.cacianalyst.org/?q=node/448>].

<sup>23</sup> See: F. Ismailzade, "The Geopolitics of the Nagorno-Karabakh Conflict," Center for World Dialogue, *Global Dialogue*, Vol. 7, No. 3-4, Summer/Autumn 2005—The Volatile Caucasus, [<http://www.worlddialogue.org/content.php?id=354>].

Finally, in the following years, the West was able to significantly increase its presence in the Southern Caucasus. Moreover, Georgia directly and Azerbaijan indirectly began to speculate about joining NATO. It was a time of hope for the local states to resolve their security issues.

So during the years after the Contract of the Century, Russia was forced to gradually retreat from the Southern Caucasus and Central Asia. And Moscow reacted very sensitively to the West's and Asia's advances into these regions. Some experts emphasize that "...to counter this development, one of Russia's tactics is to slow down Western advances..."<sup>24</sup> So, in our opinion, the Russo-Georgian war possibly originated from this strategy. And Moscow's strategic goals were clear: to stop Russia's retreat, resume the strategic initiative, and ensure Russia's interests. Unfortunately, Georgian President Saakashvili's miscalculations provided an opportunity to shift the balance of power and strengthen Moscow's security position in the region.

Finally, there is the second significant shift and the emergence of the region's new or current security pattern as a result of the Russo-Georgian war. The war enabled Russia to significantly strengthen its position and influence. Moreover, Russia showed the global and regional powers that the Southern Caucasus (like the whole of the CIS) is Russia's Near Abroad and Moscow has the exclusive right to use force and manage the situation in accordance with Russia's interests. The war provided Russia with a brilliant opportunity to resume the strategic initiative and enforce Moscow's strategic position in its immediate neighborhood. And now, Georgia's and Ukraine's advances toward NATO membership have been removed from the agenda. Some scholars directly emphasize: "Western actors have in practice been forced to recognize Russia's military dominance in the region and act only in areas approved by Russia and within the limits set by Russia."<sup>25</sup>

As a logical continuation of the current strategic opportunity, Russia (two years later) extended the lease of its military base in Armenia until 2044.<sup>26</sup> This was Russia's next significant step to utilize its advantage after the war with Georgia and thus strengthen its position in the region.

Iran, which is against any Western military presence in the region, did not make any statements against Russia extending lease of its base. So Tehran's silence means approval of such developments.

Meanwhile, Russia is accelerating its role in settlement of the Nagorno-Karabakh conflict.<sup>27</sup> Obviously Russia is capitalizing on the advantages it gained as the result of the Russo-Georgian war and is trying to establish its own security order. Finally, we can say that now the pendulum has swung toward the Tehran-Moscow axis.

However, U.S. Defense Secretary Robert Gates' and U.S. Secretary of State Hillary Clinton's latest visits to the Southern Caucasus have ensured the United States' engagement in the ongoing tough rivalry in this strategic part of the world.<sup>28</sup>

Undoubtedly, Russia's strong position means that neither the U.S. nor NATO will be able to deploy military bases close to the Iranian border. The continuation of Russian dominance, therefore,

<sup>24</sup> M. de Haas, "Current Geostrategy in the Southern Caucasus," *Eurasianet.org*, 6 January, 2007, available at [<http://www.eurasianet.org/departments/insight/articles/pp010707.shtml>].

<sup>25</sup> K. Strachota, cooperation with W. Górecki, "The Southern Caucasus and Central Asia after the Russian-Georgian War—The Geopolitical Consequences," *Center for Eastern Studies*, Poland, 24 September, 2008, available at [[www.osw.waw.pl](http://www.osw.waw.pl)].

<sup>26</sup> See: "Russia Extends Lease on Military Base in Armenia through 2044," *RIA Novosti*, 20 August, 2010, available at [[http://en.rian.ru/military\\_news/20100820/160276128.html](http://en.rian.ru/military_news/20100820/160276128.html)].

<sup>27</sup> See: "Leaders of Azerbaijan, Armenia Discuss Nagorno-Karabakh Settlement in Russia," RT-Russia Today TV Channel, 27 October, 2010, available at [<http://rt.com/Politics/2010-10-27/azerbaijan-armenia-russia-karabakh.html>].

<sup>28</sup> See: "Clinton's Caucasus Campaign Gains Tepid Results," *Eurasianet.org*, 5 July, 2010, available at [<http://www.eurasianet.org/node/61464>]; J. Nichol, "Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests," Congressional Research Service (CRS), 16 September, 2010, available at [<http://www.fas.org/srgp/crs/row/RL33453.pdf>].



is of strategic significance for Iran's foreign and security policy and is beneficial to both Tehran and Moscow because of their common strategic priorities in the Southern Caucasus, which are as follows:

- To counter and reduce U.S. influence;
- To oppose the current and long-term objectives of the U.S., NATO, and EU;
- To contain EU influence and oppose the EU's strategic initiatives;
- To prevent the deployment of U.S. or NATO military bases;
- To oppose Israeli cooperation with Georgia and Azerbaijan;
- To stop a Georgian and Azerbaijani drift toward NATO/EU membership;
- To make security arrangements in accordance with Iran's (and Russia's) strategic interests;
- To ensure control over Caspian energy resources and their transportation routes;
- To contain the rising influence of Turkey and the Turkish-Azerbaijani alliance;
- To prolong Turkish-Armenian hostility;
- To oppose long-term strategic cooperation in the Turkey-Georgia-Azerbaijan triangle;
- To maintain a strategic balance between Azerbaijan and Armenia and thus contain Azerbaijan's rise to a regional power;
- To support Russia's leading role in Caucasian and Caspian affairs and thus maintain the current status-quo.

Finally, it is beneficial for Iran to maintain the status-quo and support Russian dominance. Iran, in this case, will be able to ensure its paramount strategic goal: to limit or decrease U.S. influence and thus prevent America's attempts to redesign the region's political landscape and secure Washington's dominance.

## Iran's Bilateral Relations with the Local Countries

It should be noted that bilateral relations with the South Caucasian states are a priority of Iran's foreign policy when dealing with the border countries. Cooperation with Azerbaijan, Georgia, and Armenia is a powerful tool for strengthening Iran's influence and is of political significance for the local and global actors. An increase in bilateral relations could partially compensate for Iran's limited capacity, due to the nature of Tehran's regime, to participate in the large international projects that are currently being implemented in the Southern Caucasus and the Caspian Basin. Moreover, Iran considers bilateral relations to be an effective way to maintain a strategic balance among Azerbaijan, Georgia, and Armenia.

Within the last decade, Azerbaijan has been able to increase its political, economic, and military might and now "the balance of power in the region has shifted in favor of Azerbaijan."<sup>29</sup> Moreover,

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<sup>29</sup> S. Meister, "Recalibrating Germany's and EU's Policy in the South Caucasus," DGAP, No. 2, July 2010, available at [[http://ausserpolitik.net/themen/eurasien/kaukasus/recalibrating\\_germany-s\\_and\\_eu-s\\_policy\\_in\\_the\\_south\\_caucasus](http://ausserpolitik.net/themen/eurasien/kaukasus/recalibrating_germany-s_and_eu-s_policy_in_the_south_caucasus)].

some European scholars argue that Azerbaijan should be considered the key country in the region and call for focusing or redirecting EU policy toward Azerbaijan instead of Georgia.<sup>30</sup>

Undoubtedly, Iran clearly understands Azerbaijan's strategic importance and is trying to keep the dialog with Baku on track. Tehran is significantly intensifying its high-level contacts, and Iranian President Mahmoud Ahmadinejad has paid several official visits to Baku to discuss the region's agenda.

Azerbaijan's rising power and its long-term cooperation with the U.S./EU and Israel greatly concern Iran. Some experts argue that Iran prefers to see Azerbaijan remain involved in the conflict with Armenia. In this case, as scholars believe, Azerbaijan will be "unattractive for Iran's Azerbaijanis and unable to allocate resources to stir up South Azerbaijan."<sup>31</sup> Iran supports Azerbaijan's territorial integrity, but it is rendering large-scale economic assistance to Armenia. Interestingly, Iran, as a Shi'a state, is carrying out a so-called "double track" policy toward the Azerbaijan Republic (87% are Shi'a Moslems). Tehran possibly considers the "double track" policy to be an effective approach toward containing the Azerbaijan Republic, which is becoming a new regional power. Moreover, Iran's decision-makers think that Azerbaijan's involvement in the conflict with Armenia is helping to contain Turkey and the Turkish-Azerbaijani strategic alliance, which covers energy, transportation, economic, political, and military issues.

Meanwhile, prolongation of the Turkish-Armenian hostility is an important element in Tehran's calculations to keep Ankara under pressure and limit the projection of Turkish power onto the Southern Caucasus and Central Asia. On the other hand, Turkish-Armenian hostility is increasing Tehran's strategic significance for Armenia and Russia.

Finally, Iran is capitalizing on the political and economic advantages gained from the current deadlock situation in relations between the Turkish-Azerbaijani alliance and Armenia.

The main economic benefits are to retain Iran as a valuable exporter for the Armenian market and a vital transportation route that links Armenia with Iran's Persian Gulf ports. Meanwhile, the political advantages are enormous: to counterbalance Azerbaijan's alliance with Turkey; to reshape Tehran's image; and to facilitate U.S.-Iran rapprochement with assistance from the Armenian diaspora. And this point is a key strategic element in Tehran's efforts to keep its relations with Erevan on track.

It should be noted that Iran kept silent about the Russo-Georgian war of 2008. Some scholars think that "behind Iran's official silence is a combination of factors. These range from Iran's common cause with Moscow against expansion of the North Atlantic Treaty Organization (NATO), interpreting this crisis as a major setback for NATO's 'eastward expansion' in light of the unabashed pro-West predilections of Tbilisi's government, to Iran's sensitivity to Russia's national security concerns."<sup>32</sup> Iran's position in the Georgian crisis notwithstanding, Iranian-Georgian relations are now rapidly developing. So, according to Georgian Deputy Foreign Minister Nino Kalandadze: "Our relations have entered a new phase." And at a joint news conference in Tbilisi on 27 May, 2010, Iranian Foreign Affairs Ministry's Spokesman Ramin Mehmanparast (who is a deputy minister) added that Georgia and Iran intend to resume direct air flights, cancel visa requirements for travelers, and open an Iranian consulate in Batumi. Moreover, as he has mentioned, the Iranian side "unconditionally supports Georgia's territorial integrity."<sup>33</sup>

<sup>30</sup> See: S. Meister, op. cit.

<sup>31</sup> B. Shaffer, "Iran's Role in the Southern Caucasus and Caspian Basin: Diverging Views of the U.S. and Europe," Belfer Center, Harvard University, July 2003, available at [<http://belfercenter.ksg.harvard.edu/>].

<sup>32</sup> K. Afrasiabi, "Iran Gambles over Georgia's Crisis," *Asia Times*, 16 August, 2010, available at [[http://www.atimes.com/atimes/Middle\\_East/JH16Ak01.html](http://www.atimes.com/atimes/Middle_East/JH16Ak01.html)].

<sup>33</sup> Quoted from: V. Socor, "Georgia Develops Functional Relations With Iran," *Georgian Daily*, 27 May, 2010, available at [[http://georgiandaily.com/index.php?option=com\\_content&task=view&id=18724&Itemid=132](http://georgiandaily.com/index.php?option=com_content&task=view&id=18724&Itemid=132)].

Iran expressed the same position on Azerbaijan's territorial integrity. Baku and Erevan feel some mistrust toward Tehran because Iran has a huge Azeri population but supports Armenia. However, Tehran tried to mediate a peace between Armenia and Azerbaijan.<sup>34</sup> Finally, Iran is playing its own game in the classic Persian style among the rivals and securing its own interests.

## Conclusions

As the world's oil and gas dependence rises, safe and regular energy supplies will continue to be a high priority on the world powers' strategic agenda. In this light, the export of Caspian energy is an alternative to Persian Gulf energy resources. Within the last 15 years, the West has invested billions of dollars in the survey, development, and transportation of Caspian energy resources bypassing Russia, which is trying to gain a monopoly on the delivery of oil and gas from the post-Soviet area to the world market.

The Clinton administration and the George W. Bush administration launched several strategic programs and initiatives aimed at promoting and securing the West's presence and thus ensuring stable energy deliveries from the Southern Caucasus. Unfortunately, the Obama administration is not paying significant attention to the Southern Caucasus. This lack of attention from Washington is beneficial to Iran and Russia but detrimental to America's stakes in the region. The decline of Washington's strategic attention creates an opportunity for the Tehran-Moscow axis to gradually push the U.S. out of the region and regain full control over Caspian resources.

On the one hand, the continuation of U.S.-Iran tension means that Iran will continue to be oriented toward Russia. And Iran will support Russia's strategy to keep the region's "frozen conflicts" alive, because it is better for the local conflicts to remain unresolved and wait for a further opportunity to establish pro-Russian-Iranian order than to allow the United States to solve the conflicts and create pro-Western security order.

On the other hand, Tehran's decision-makers clearly understand that insecurity in the Southern Caucasus threatens Iran. So Iran will try to avoid any involvement in the "frozen conflicts" and minimize or eliminate any threat of other conflicts in the Central Asia. The continuation of insecurity in the Southern Caucasus could directly affect Iran's domestic policy. Moreover, the military operations close to the Iranian borders represent a serious threat to Iran's security. If a new war between Azerbaijan and Armenia breaks out, the behavior of Iran's huge Azeri population will be unpredictable. In addition, it will not be clear how Iran's Azeris might react to the current Tehran's regime, which could fall.

"We are very concerned about security in the Caucasus region, it is a rather sensitive topic for Tehran, so we are ready to take part in solving the problematic issues in the region," said Iranian Foreign Minister Monouchehr Mottaki in Tbilisi at a joint press conference with Foreign Minister of Georgia Grigol Vashadze.<sup>35</sup>

However, we can see that Iran's foreign policy toward the Southern Caucasus poses a strategic dilemma: either to maintain the status quo and thus counter Western influence, or to facilitate the settlement of conflicts and secure peace and stability along Iran's borders.

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<sup>34</sup> See: A. Ramezanzadeh, op. cit.; M. Muradova, "Iran Seeks Role in Karabakh Settlement," Johns Hopkins University, Central Asia-Caucasus Institute, *Analyst*, 18 March, 2010, available at [<http://www.cacianalyst.org/?q=node/5291>].

<sup>35</sup> See: "FM: Iran Stands Ready to Play 'Significant Role' in Resolving Conflicts in Caucasus," Trend News Agency, 11 November, 2010, available at [<http://en.trend.az/print/1776791.html>].

Undoubtedly, a stable Southern Caucasus will be an optimal environment for ensuring the dependable delivery of Caspian energy resources to Western markets. Moreover, the United States has great stakes in the region and in the Caspian oil business which obligate Washington to secure peace and stability in the region.

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